

W-2 Extensions Based on Local Labor Market Conditions

[Draft policy statement – July 2003]

Background

Under state law, a W-2 agency may extend time limits for some W-2 participants on a case-by-case basis if that agency determines that a participant's appropriate efforts to find unsubsidized employment have been unsuccessful because local labor market conditions preclude such employment for that participant. State law leaves to the W-2 agency and to the Department the responsibility for determining whether or not this is the case for any particular participant.

Efforts to provide clearer guidance to agencies with respect to W-2 extensions based on local labor market conditions have confronted two issues. The first is whether and how aggregate labor market data, such as data based on Unemployment Insurance claims, should factor into agency extension decisions. The second is what information, beyond general economic data, agencies should consider in determining whether local labor market conditions preclude a reasonable job opportunity for the participant in question.

The remainder of this memorandum addresses both of these issues in turn. With respect to the use of the "local labor market" reason in extension decisions, the memorandum:

- defines how aggregate labor market data may factor into extension approvals (and clarifies that such data may not be a factor in extension denials); and
- describes the more detailed, individualized information agencies may use to support of extension approvals and must provide to justify extension denials.

Use of aggregate labor market data in extension decisions

Clearly, aggregate labor market data for a particular geographic area have some relevance to the question of whether to grant an extension based on "local labor market conditions." If large numbers of people in a region are losing their jobs, it is reasonable to assume that W-2 clients face at least some additional difficulty finding jobs, even with a diligent job search. This is true even if one accepts that general economic statistics may not capture detailed local and individual circumstances.

However, it is less clear which statistics provide the most accurate picture of the local labor market or how decisive role such statistics should play in W-2 extension decisions. For example, any measure based on unemployment claims is limited by the fact that not all individuals who are out of work are eligible for unemployment insurance. Furthermore, the proportion of unemployed people not represented by unemployment data may be greater in some localities than in others, so that the value of the data may vary with the particular geographic area those data cover. Finally, by its very nature, such general economic data do not address the effects of local labor market conditions on unsubsidized employment opportunities *for a particular participant*.

The Department has determined that if general economic data are to be used at all in extension decisions, "continuing unemployment claims" probably offer the most timely and accurate way to track fluctuations in those aspects of the labor market that

unemployment statistics measure well. The Department will continue to collect this data and make it available to agencies for this and other W-2 program management purposes.

However, in view of concerns about the value of this data in capturing the individual circumstances most directly relevant to extension decisions:

1. The Department will confine the use of this data to reinforcing extension approvals.
2. The only effect this data will have on approvals is that of determining whether an approval decision is subject to further Departmental review.
3. The decision whether to rely on county or regional data will be based on which set of data better reinforces an extension approval decision.
4. Under no circumstances will this data be used for extension denials.

Support needed for extension decisions based on local labor market conditions

Agency decisions on whether or not local labor market conditions warrant an extension in any particular case should be based on information about how those conditions affect the participant in question. Any Departmental review of extension decisions will be based on whether the information provided in support of the decision is appropriate for that decision, as described below.

1. Extension approvals. A W-2 agency may grant an extension based on local labor market conditions whenever the client has made appropriate job search efforts and has been unable to find unsubsidized employment, and the agency can demonstrate or document any one of the following circumstances:

- Inability of other clients with similar skills, or engaged in job searches in similar geographic and occupational areas, to find jobs;
- Loss of historical placement sites for similarly skilled clients due to employer closures or cutbacks;
- A quantifiable downturn (or one specifiable in terms of recent closures or cutbacks) in the labor market sectors matching client skills; or
- A quantifiable downturn (or one specifiable in terms of recent closures or cutbacks) in the job market within reasonable client travel time.

This documentation need not be extensive, but should reflect a reasonable effort to establish a plausible connection between a specific feature of the local labor market and the inability of a particular participant to find a job. This documentation may include or refer (but is not limited) to such material as: case histories of other comparable clients (with any personally identifiable information removed), press coverage regarding the local job market or local business conditions, agency correspondence with historical or potential placement sites, current labor market data obtained from public or private sources, or products of current locally relevant labor market studies or research.

W-2 agency extension decisions based on local labor market conditions may be subject to Departmental review by DWS regional office staff, as outlined in [*insert Ops Memo reference here when available*]. However, W-2 agency extension approvals will not be subject to further review if the number of continuing unemployment claims for either the county or the region (whichever is higher) is more than 150% of the historical monthly average of such claims for that same county or region for the three-year period

from January 1997 through December 1999. The Department will provide agencies and regional offices with the data necessary to make this determination.

2. Extension denials. Extension denials based on local labor market conditions (i.e. use of the denial reason “local labor market does not preclude”) must be accompanied by all three of the following types of information:

1. Specification of the skills and aptitudes the client has to offer the local labor market, and of the geographic and occupational areas in which the agency believes the client to be employable.
2. Documentation of at least two specific job opportunities compatible with the client’s skills, aptitudes, and personal circumstances, for which the client has refused or failed to apply.
3. Descriptions of the client’s means of access to the identified job opportunities, showing that each opportunity is no more than 60 minutes travel time one-way, using available transportation, from the client’s home to the employer (including travel time related to any necessary child care).

All extension denials will be reviewed by the Department. If it is determined that that documentation is inadequate or that an agency has incorrectly made an extension decision, the extension decision may be reversed by the Department under the authority given in Wis. Stats. 49.147(3)(c), (4)(b)(1)(c)(2) and (5)(b)(2). In addition, the Department may take any and all action outlined in of the 2002- 2003 Wisconsin Works (W-2) and Related Programs Contract, Sections 16 and 17.

Under no circumstances may aggregate economic data, such as a determination that county or regional continuous unemployment claims fall below the 150% threshold precluding review of approvals, be used in support of extension denials.